



2017 Annual Report

Missouri Quality Jobs Program

The Missouri Quality Jobs Program was introduced and passed during the 2005 Legislative Session, effective August 28, 2005. As of the end of calendar year 2017, 75 "new jobs" projects (representing 61 organizations) and 1 retention project are approved and active in the program. In addition, a total of 15 "new jobs" projects closed during the year; 12 projects successfully completed the applicable 3 or 5 year benefit period, and 3 projects did not meet or maintain the program requirements and are no longer approved projects. During calendar year 2017, DED has not approved any new jobs projects. Tables 1 through 4 show the companies who have received benefits during 2016.

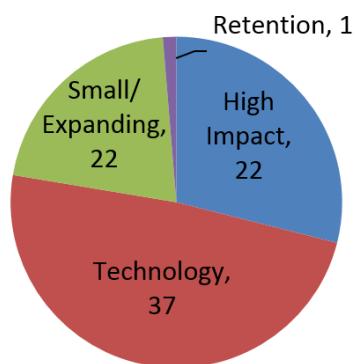
The Missouri Works Program was enacted August 28, 2013. Missouri Works replaces four programs (Missouri Quality Jobs, Enhanced Enterprise Zone, Rebuilding Communities and Development Tax Credit) and streamlines program requirements and statutory definitions. A Notice of Intent (NOI) for the Quality Jobs Program may continue to be submitted if multiple phases, or NOIs, were proposed by DED and accepted by the company in the formal letter of proposal. The company may submit the number of NOIs as outlined for the project in the accepted proposal, and the company has the option of moving to Missouri Works instead of applying through the Quality Jobs Program.

Program Requirements

The Missouri Quality Jobs Program provides benefits for companies creating a minimum number of new jobs as required for each project type. Small/expanding business projects must create a minimum of 20 new jobs in rural counties or 40 new jobs in non-rural counties within 2 years. Technology business projects, determined by the assigned NAICS and based on the business activity at the facility, must create 10 or more new jobs within 2 years. High impact projects must create at least 100 new jobs, the first new job within 1 year of approval and at least an additional 99 new jobs within 2 years of hiring of the first new job. Program eligibility requirements for new jobs include an average wage of at least the county average wage (or state average wage if the county average is higher than the state average), the employee must work an average of thirty-five hours a week at the project facility during the year and the employer must offer health insurance to all full-time employees in the state, paying at least fifty percent of the premium.

To qualify for the Retention portion of the Missouri Quality Jobs Program, companies must have a significant statewide effect on the economy, represent a substantial risk of relocation from the state and have employed a minimum of one thousand full-time employees for the previous two years with the average wage at or exceeding the county average wage. Investment and job requirements at the project facility for Retention projects include that the company must cause to be invested at least \$70 million within two years or cause to be invested at least \$30 million within two years and maintain a payroll of at least \$70 million each year a tax credit is claimed. In addition, local incentives must be at least fifty percent of the new local revenue generated for ten years. In accordance with Section 620.1881.3(4)(e), RSMo, Retention projects through the Missouri Quality Jobs Program must have been approved by the Department on or before August 30, 2013.

Approved Projects by Program



Location

Missouri Quality Jobs Program projects have been approved statewide during the program's existence. Currently 61 projects are in non-rural areas and 15 projects are in rural areas. A "rural area" is defined in Section 620.1878(27) as "a county in Missouri with a population less than seventy-five thousand or that does not contain an individual city with a population greater than fifty thousand according to the most recent federal decennial census."

Annual Benefit

Benefits for the Missouri Quality Jobs Program may be in two forms, retained state withholding tax and/or tax credits, depending on the project type.

- Small/expanding business projects may retain the state withholding tax of new jobs for 3 years if the average wage of the new jobs equals 100-119 percent of the county average wage or 5 years if the average wage of the new jobs is at least 120 percent of the county average wage.
- Technology projects receive a base benefit of 5 percent of the new payroll for 5 years. An Average Wage Bonus (see below) may be added if requirements are met. If the retained withholdings are less than the total benefit, the balance is issued to the company in the form of a sellable/refundable state tax credit.
- High Impact projects receive a base benefit of 3 percent of the new payroll for 5 years. An Average Wage Bonus and Local Incentives Bonus (see below) may be added if requirements are met. If the retained withholdings are less than the total benefit, the balance is issued to the company in the form of a sellable/refundable state tax credit.

Average Wage Bonus – Bonus based on percentage of new job average wage to county average wage.

- Greater than 120 percent and up to 140 percent of the county average wage- company receives additional ½ percent of the payroll of new jobs.
- Greater than 140 percent of the county average wage – company receives additional 1 percent of the payroll of new jobs.

Local Incentives Bonus – Bonus based on the local incentives provided to the project as a percentage of new local tax revenue generated from the project, over ten years.

- 10-24% - company receives additional 1 percent of the payroll of new jobs.
- 25-49% - company receives additional 2 percent of the payroll of new jobs.
- 50% or more – company receives additional 3 percent of the payroll of new jobs.

Net State Fiscal Impact

The Missouri Economic Research Center has provided the economic impact of the Missouri Quality Jobs Program using the REMI Missouri Regional Economic Model for both the estimated jobs per project authorized and the actual jobs per project issued. Key findings for program impact include:



Actual Impact

The actual impact uses the information reported as part of the annual reporting process. The results of the analysis are more conservative since the actual information assumes no additional job growth or investment above the amount reported to date for the project.

Over 15 years, every dollar in Missouri Quality Jobs Program incentives is projected to return:

- \$4.00 in new general revenues for the State of Missouri, totaling \$1.4 billion over 15 years.
- \$120.20 in new personal income for Missourians, totaling \$54.4 billion over 15 years.
- \$211.93 in new value-added, equivalent to GDP, to the state economy, totaling \$96.0 billion over 15 years.

Estimated Impact

The estimated impact considers the information as estimated by the company in the Notice of Intent and authorized by DED.

Over 15 years, every dollar in Missouri Quality Jobs Program incentives is projected to return:

- \$4.15 in new general revenues for the State of Missouri, totaling \$1.4 billion over 15 years.
- \$124.24 in new personal income for Missourians, totaling \$56.7 billion over 15 years.
- \$221.39 in new value-added, equivalent to GDP, to the state economy, totaling \$101.1 billion over 15 years.

The MERIC Research Brief for projects active in 2017 is provided as part of the annual report for this program.



Economic Impact of the Missouri Quality Jobs Program 2005- 2017 Projects

RESEARCH BRIEF

The Missouri Quality Jobs Program (MQJP) targets three economic areas important to Missouri's future - Small and Expanding businesses, Advanced Technology companies, and High Impact projects. The Quality Jobs Program, administered by the Missouri Department of Economic Development (DED), provides benefits to a company based largely on the number of high paying jobs created. Benefits require verification of employment before incentives are issued.

Qualifying businesses are required to create a minimum number of new jobs at above average wages, offer health insurance to these new employees, and pay at least half of the health insurance premiums for these individuals. In return, qualifying employers will keep a percentage of the state withholding taxes normally paid to the state for these new employees for a set number of years. The amount of the benefit is based on the wage paid relative to the county average wage where the employer is located.

MQJP KEY FINDINGS

With actual information submitted to date, the MQJP has directly generated \$10.3 billion in new investment and created 29,700 new jobs with health benefits paying an average wage of \$61,700 per year.

By 2020, assuming sustained employment levels, these projects are estimated to create 74,239 direct and spin-off jobs in Missouri based on an economic impact analysis.

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MQJP Actual Activity Through 2017 Calendar Year

As of December 31st, 2017, there are 198 Small/Expanding, Technology and High Impact projects that the DED considers active or that have been completed utilizing the Quality Jobs Program. One additional project utilizes the program for retained jobs. Most of these projects involve businesses engaged in professional, technical, and scientific services, manufacturing, finance and insurance, and company management and support services.

At the time of analysis 98 percent of all projects have provided information that has been verified by DED staff and are termed "actual" for the purposes of this report. The remaining projects are considered active but are still within the allowed reporting period so that verified information is not yet available. Although companies have submitted notices of intent for additional jobs and investments, analysis of verified-only information produces a more conservative impact estimate that, in conjunction with research of the entire program also included in this report, provides a range of impact estimates useful in understanding the MQJ Program.

Using only actual information, which assumes no additional job growth or investments in the future, the direct impact of these businesses is \$10.3 billion in new investment and 29,700 direct new jobs with health benefits paying an average wage of \$61,700 per year in Missouri. Incentives for these projects cost the state \$505.6 million in general revenue.

ESTIMATED ECONOMIC IMPACT

The economic impact of the Missouri Quality Jobs Program is estimated using the Regional Economic Models, Inc. (REMI) Policy Insight model, which the state has used for over a decade to assess business development projects. The REMI model follows the expected flow of income that moves around an economy through the primary relationships between businesses and consumers. Models such as REMI take into account the typical purchases made by companies to produce products or services, where those companies are, and how workers spend the income that is made. The model follows these spending patterns within the economy to understand the larger impacts that circulate within a region and what income leaks out due to imports.

The REMI economic model is updated annually with federal data from the Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, and other agencies. The DED also calibrates the fiscal component of the model each year with Missouri Office of Administration budget figures to provide state tax estimates. The model analyzes impacts over a long period of time and takes into account expected changes, such as the migration of some new workers into the state, which can add costs for public services.

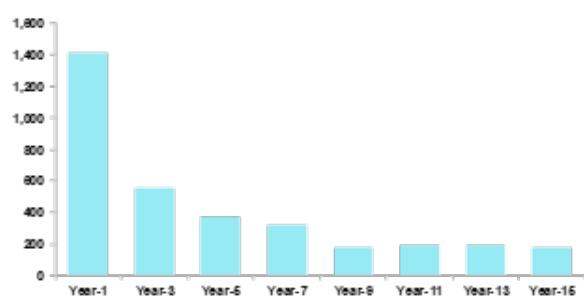
Although the first page of this report provides a summary of economic impacts from actual projects only, it is necessary to use data from a mixture of verified and anticipated project activity to analyze the entire program's expected impact. The economic and fiscal benefits provided in the remainder of this report are reflective of the available verified, as well as anticipated, company information known to the DED at the end of the 2017 calendar year.

ECONOMIC BENEFITS FOR ALL MQJP PROJECTS THROUGH 2017 CALENDAR YEAR

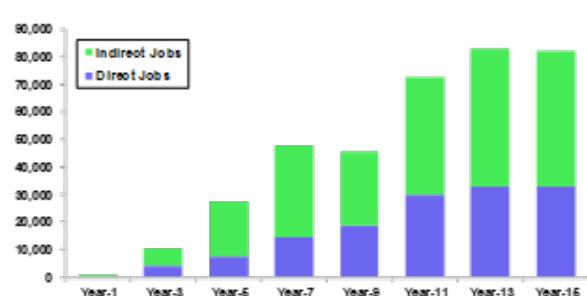
Employment

At full operation in 2020, every one million dollars of state tax credits invested in the Quality Jobs Program is projected to create an average of 180 direct and indirect jobs in Missouri. Given current projects to date, by 2020 the program is projected to create roughly 82,090 direct and indirect jobs in Missouri paying an average wage of \$66,200.

New Employment per \$1 Million of MQJP Credits



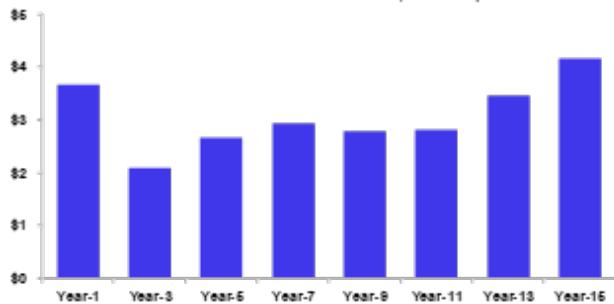
Employment Impact



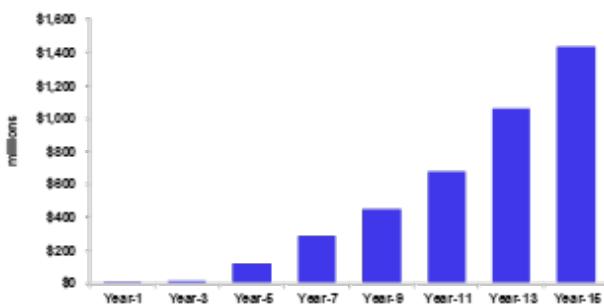
General Revenues

Over 15 years, every dollar of state tax credits invested in the Quality Jobs Program is projected to return \$4.15 in general revenue to the State of Missouri. Given current projects to date, this is projected to generate \$1.4 billion in new cumulative net state general revenues over 15 years, which averages to \$95.8 million annually in new general revenues.

New General Revenue per \$1 of MQJP Credits



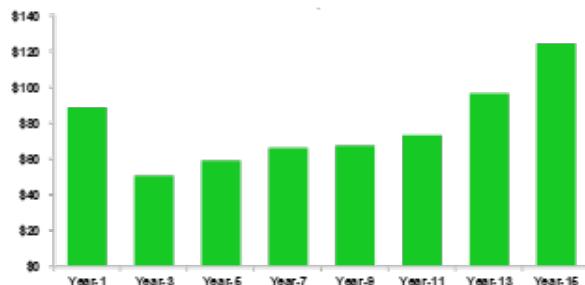
Cumulative Net General Revenue Impacts



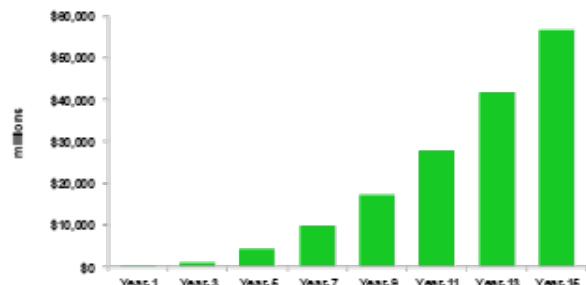
Personal Income

Over 15 years, every dollar of state tax credits invested in the Quality Jobs Program is projected to return \$124.24 in personal income to Missourians. Given current projects to date, this is projected to generate \$56.7 billion in new cumulative personal income over 15 years, which averages to \$3.8 billion in new personal income annually.

New Personal Income per \$1 of MQJP Credits



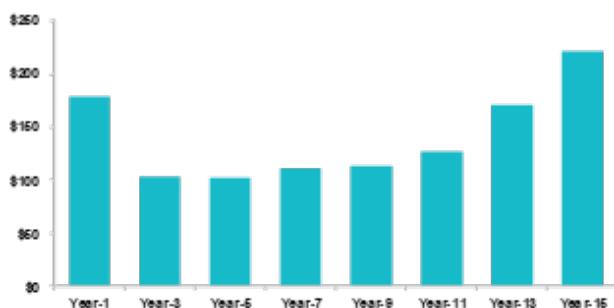
Cumulative Personal Income Impacts



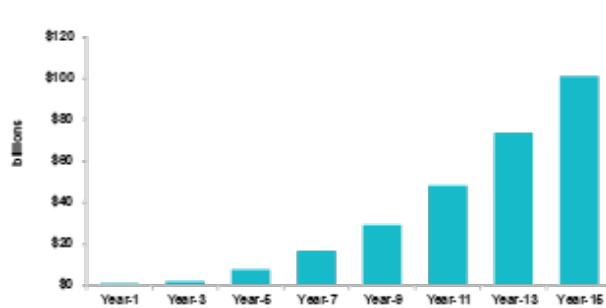
Value-Added

Value-added is equal to total economic activity, excluding goods and services used as inputs, in the production process. Value-added is used to pay compensation, taxes, capital, and profits and is equivalent to Gross Domestic Product. Using this measure, every dollar of state tax credits invested in the Quality Jobs Program is projected to return \$221.39 in new value-added to the state's economy. Given current projects to date, this is projected to generate \$101.1 billion in new value-added over 15 years, which averages to \$6.7 billion in value-added annually.

New Value-Added per \$1 of MQJP Credits



Cumulative Value-Added Impacts



All projections of the future state of Missouri's economy carry some degree of uncertainty given unforeseen circumstances, changing business plans, and fluctuating business cycles. The modeling scenario in this analysis assumes that companies taking advantage of MQJ implement their corporate investment and expansion plans as set forth in their Notices of Intent. Each year the annual report is updated with the latest available information and will reflect any changes that have occurred in the prior year. Having the most current information provides the best estimate of overall program impacts but does mean that past reports will not reflect these later revisions. As the Quality Jobs Program is designed to only provide incentives once information is verified, the state is able to adjust benefits to companies based on actual performance.

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